

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

New York Independent System Operator, Inc.

Docket No. ER07-285-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued January 31, 2007)

1. On December 1, 2006, under section 205 of the Federal Power Act,¹ the New York Independent System Operator, Inc. (New York ISO) submitted revisions to its Market Administration and Control Area Services Tariff (Services Tariff). The New York ISO states that the purpose of the proposal is to: (1) extend unique market rules and operating reserves offer exemptions for intermittent resources to an additional 500 megawatts (MW) of such resources;² (2) add a penalty exemption for generators during testing periods; and (3) correct an inadvertent omission in a previous filing. As discussed below, the Commission accepts the revisions, effective February 1, 2007, as requested.

New York ISO's Proposed Revisions

2. The proposed tariff revisions include the extension of special tariff provisions to intermittent resources and generators, and the correction of an omission from an earlier filing. "Intermittent (non-schedulable) Generators" refers to capacity resources that

¹ 16 U.S.C. § 842d (2000).

² That is, the amount of intermittent resources to which these rules apply, or cap, would now become all intermittent generation in operation on or before November 18, 1999 plus 1,000 MW of additional intermittent generation interconnecting to the NYISO system after that time.

depend on wind, solar, or limited control run of river hydro energy.³ According to the New York ISO, because the output of these generators depends almost entirely on an intermittent fuel source, these generators cannot economically avoid generating above or below the real-time schedule otherwise imposed by the New York ISO. Furthermore, according to the New York ISO, the intermittent fuel source renders the generators unreliable as non-synchronous reserves suppliers because when these generators are off-line they may be unable to produce energy within ten minutes of a New York ISO request to do so.

3. Therefore, intermittent generators are subject to special market rules that allow them to avoid penalties that would otherwise be levied for undergeneration and exempt them from participation in certain otherwise mandatory day-ahead and real-time markets.⁴ Under the current Services Tariff, these special market rules apply only to intermittent generators in operation on or before November 18, 1999, and up to 500 MW of additional such generators.

4. In the instant filing, the New York ISO proposes to extend these special market rules to an additional 500 MW of intermittent resources. The New York ISO states that it currently has 368 MW of wind generation on the system, all of which utilizes the special market rules. This leaves only 132 MW available under the current cap. The New York ISO further states that it expects as many as 630 additional MW of intermittent resource capacity to interconnect to the bulk transmission system by the end of 2007 as a result of the New York Public Service Commission's adoption of a renewable portfolio standard and other governmental incentive programs.

5. While the New York ISO expects the instant request to cover all new intermittent generation interconnecting between now and the end of 2007, the interconnection queue indicates that more than 5000 MW of new wind generation plan to be interconnecting to the New York ISO system between now and 2013. Thus, the New York ISO states, it intends to create a set of market rules that will apply to all intermittent generation regardless of the number of such resources on the system. The New York ISO further

³ New York ISO Dec. 1 filing at 3 n.4; *see also* Services Tariff section 2.77a, Third Revised Sheet No. 43A (defining "Intermittent Power Resources").

⁴ For example, the New York ISO cites Services Tariff section 5.12.1(x), which requires installed capacity providers, other than those that are exempt, that can start in ten minutes and that are located in the Eastern portion of the New York Control Area to offer 10-minute non-synchronized reserve in the New York ISO's day-ahead and real-time markets.

states that it expects to complete this work by mid-2007 and will file further tariff amendments to add these market rules to the Services Tariff at that time.

6. The New York ISO also proposes to exempt from persistent undergeneration⁵ charges generators operating during a Testing Period.⁶ According to the New York ISO, undergeneration charges are imposed on generators operating below their real-time schedule but serve no purpose when the generators are unable to avoid generating below their real-time schedule due to unstable operating conditions such as might be experienced during a testing period. The New York ISO supports the instant proposal by citing the intermittent generation exemption described above, and also by explaining that the tariffs already exempt various generator types or operating modes when intervening operating conditions may reduce the unit's ability to follow real-time schedules. The New York ISO explains that this exemption will be limited to tests that require the unit to reach and maintain a specified output level and can be scheduled in advance. Further, the New York ISO states that it will specify the tests that would be covered by this new exemption in New York ISO manuals and related documentation in the same manner that it would be describing its implementation requirements. As a general matter, states the New York ISO, generators would be conducting these tests only for a few hours in any given day; after completion of the tests, the generators would be exposed to any persistent undergeneration charges otherwise applicable during the balance of their real-time schedule.

7. The New York ISO also proposes to correct an inadvertent omission in an April 28, 2005, filing in Docket No. ER05-900-000, which arose out of additional electric capacity being added to the New York City steam system. In that docket, on May 26, 2005, the Commission accepted the New York ISO's request to extend from 365 MW to 499 MW the scope of special payment provisions and penalty exemptions to electric facilities serving the New York City steam distribution system. As the New York ISO explains here, though, the April 28, 2005, filing failed to request that the Commission

⁵ The New York ISO's Tariff defines a persistent undergeneration supplier as a "Supplier, other than a supplier included in subsection 3.03 of this section, that is not providing Regulation Service and that persistently operates at a level below its schedule . . ." Rate Schedule 3-A.

⁶ See proposed Fourth Revised Sheet No. 281A (adding exemption); *see also* proposed Fifth Revised Sheet No. 69 (defining "Testing Period"). The New York ISO defines "Testing Period" as an ISO approved period of time during which a Generator is testing equipment and during which unstable operation prevents the unit from accurately following its base points.

similarly extend, also to 499 MW, the exemption from the 10-minute non-synchronized reserve offer requirement now available only to 365 MW of such generation. The New York ISO makes that request here and explains that these facilities face operating fluctuations that are similar to those facing intermittent generators and, as a result, should be similarly eligible for all three special market rules.

8. The New York ISO states that at the September 29, 2006, Management Committee, New York ISO market participants by unanimous vote (with abstentions) approved the tariff changes proposed in the instant filing. The New York ISO further states that no market participant objected.

Notice and Intervention

9. Notice of the New York ISO's December 1, 2006, filing was published in the *Federal Register*, 71 Fed. Reg. 74,512 (2006), with interventions and protests due on or before December 22, 2006. The Long Island Power Authority and its operating subsidiary, the Long Island Lighting Company (LIPA) filed a timely motion to intervene with comments. LIPA states that it generally supports the interim extension of the special market rules, but also states that it remains concerned regarding the continued delay in the New York ISO's development of a long-term solution to resolve the intermittent generation issues. LIPA argues that continued reliance upon periodic extensions perpetuates an unnecessary level of uncertainty regarding the treatment of real-time variations in output that are a characteristic of intermittent generation. In this regard, LIPA encourages the Commission to require the New York ISO in a compliance filing to propose a detailed schedule for developing these additional rules in the stakeholder process and filing them with the Commission for implementation before the end of 2007. LIPA concludes that it is essential to resolve these important issues on a more permanent basis so that owners and customers of intermittent generation interconnecting with the New York ISO system will have the certainty to which they are entitled.

Discussion

10. The Commission finds that the proposed revisions to the Services Tariff will benefit wind and other intermittent generators by extending special payment provisions and penalty exemptions to an increased amount of such generation. The revisions are, therefore, accepted to become effective February 1, 2007, as requested. In response to LIPA's request for the Commission to require the New York ISO to file additional rules for implementation before the end of 2007, the Commission recognizes that the New York ISO has already stated that it expects by mid-2007 to file further tariff amendments to add market rule revisions that will allow the New York ISO to manage intermittent generation without regard to the volume of such energy on its system. The Commission

encourages the New York ISO to meet this deadline with the goal of implementation as soon as practicable. The Commission also directs the New York ISO to file an informational report apprising the Commission of the progress in this matter on or before Friday, June 29, 2007, if the aforementioned tariff amendments are not filed by that date.⁷

The Commission orders:

(A) The revisions filed December 1, 2006 are accepted to become effective February 1, 2007.

(B) The New York ISO is required to file an informational report apprising the Commission of the progress in this matter on or before Friday, June 29, 2007, if by that date it has not filed further tariff amendments to add market rule revisions that will allow the New York ISO to manage intermittent generation without regard to the volume of such energy on its system.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

⁷ The Commission expects that the informational report will not be subject to further action, and that notice of the report will not be published in the *Federal Register*.